

OLL 84-4787  
14 December 1984

MEMORANDUM FOR: See Distribution

VIA: Chief, Liaison Division, OLL *3*

STAT FROM:

SUBJECT: Senate Plan for Federal Retirement System

1. Attached hereto is Senator Ted Stevens' (R., AK) draft proposal for a Supplemental Retirement Plan for all Federal Employees hired after 31 December 1983. (Senator Stevens will continue to chair the Post Office and Civil Service Subcommittee of the Governmental Affairs Committee). Employees who were on the government rolls prior to 1984 and covered by the current civil service retirement system would have the option of transferring into the Stevens plan with credit for service under the old system.

2. This proposal is being reviewed by the Administration and selected Federal employee unions. So far, reactions have been favorable with one exception: the Administration is highly critical of the "401 K Plan" because of the cost to the government. The contributions (\$2 from government for every \$1 contributed by employee up to 4 percent of employee basic pay) would be paid out immediately, rather than only when benefits are paid out. Other concerns include: Who would appoint/approve/control the group that manages the fund; how do you deal with the potential for market manipulation, or bad investments; how do you make investment decisions? These and other issues will be discussed during the next several weeks and modifications to the draft plan will be made before it is introduced.

3. Senator Stevens, who plans to try again for the leadership position in 1986, wants the success of having his proposal enacted. He plans to introduce legislation in